

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

March 12, 1999

IN RE:

**PETITION OF UNITED CITIES GAS COMPANY, A)
DIVISION OF ATMOS ENERGY CORPORATION,)
FOR APPROVAL OF A GAS TRANSPORTATION)
AGREEMENT WITH MIDDLE TENNESSEE STATE)
UNIVERSITY)**

**DOCKET NO.
98-00277**

ORDER APPROVING GAS TRANSPORTATION AGREEMENT

On September 1, 1998, at a regularly scheduled Authority Conference, the Tennessee Regulatory Authority (hereafter the "Authority") considered the Petition of United Cities Gas Company, a division of Atmos Energy Corporation, for approval of a Gas Transportation Agreement with Middle Tennessee State University¹ (hereafter the "Petition").

According to the Petition, United Cities Gas Company (hereafter "United Cities" or the "Company") transports natural gas to Middle Tennessee State University (hereafter "MTSU") pursuant to Rate Schedule 260 of the Company's tariff. As part of MTSU's decision to install a five (5) megawatt gas turbine electric generator, MTSU requested a reduced transportation rate from the Company. The Petition reflects that MTSU considered several alternatives to the installation of the generator, including using a coal fired plant. The parties determined that the transportation rate for natural gas was not competitive with the price of coal and, therefore, negotiated a contract for the Company's transportation of natural gas to MTSU at a reduced rate. The Petition seeks approval of the Company's agreement with MTSU.

¹ A copy of the Gas Transportation Agreement and cover letter filed by the Company with its Petition is attached hereto as Exhibit A.

The Petition came before the Directors at a regularly scheduled Authority Conference held on July 21, 1998 (hereafter the "Conference"). At the Conference, the Directors expressed concern over MTSU's process for selecting the gas turbine electric generator over a coal boiler generation plant. The Directors also expressed concern regarding the potential of margin loss on the agreement with MTSU being passed through to the Company's ratepayers. The Company represented that its agreement with MTSU is for transportation only and because MTSU was an incremental load to the Company beyond what had been previously used by MTSU, there will be a future benefit to the ratepayers since the additional dollars would be included in the calculation of the revenue deficiency or surplus in the Company's next rate case. Due to responses elicited during discussions with the representatives of the Company and MTSU, the Directors deferred further deliberations to allow the Company to respond in writing to the Directors' questions regarding this contract. Of specific concern to the Directors was whether there would be any cost to the rest of the customer base as a result of this contract. The Company responded in writing to these questions on August 21, 1998.

At the regularly scheduled Authority Conference held on September 1, 1998, the Directors resumed their deliberations upon the Petition. John L. Baugh, the Company representative, answered in the affirmative when asked if the Company stood behind each and every answer to the responses which United Cities submitted on August 21, 1998, to the thirteen (13) questions posed by the Directors during the July 21, 1998, Conference. The Company representative, in response to the question whether there would be a cost to the other ratepayers, affirmed that the other ratepayers would not be subsidizing the discounted service offered to MTSU and that this project would, in fact, add incremental load for the Company thereby increasing its profit margin

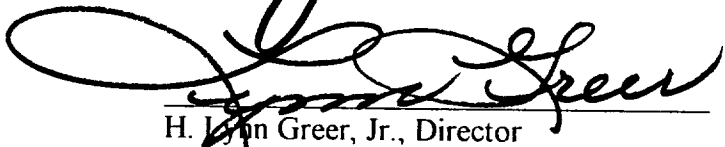
after the implementation of the contract. At the conclusion of their deliberations, the Directors unanimously approved the Company's petition.²


IT IS THEREFORE ORDERED THAT:

1. The Petition of United Cities Gas Company, a division of Atmos Energy Corporation, for approval of a Gas Transportation Agreement with Middle Tennessee State University is approved; and

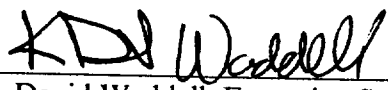
2. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order.


Melvin J. Malone, Chairman


H. Lynn Greer, Jr., Director


Sara Kyle, Director

ATTEST:


K. David Waddell, Executive Secretary

² Based upon the foregoing representations by the Company, Director Greer stated, during deliberations, that "...should these filed affidavits and statements turn out to be incorrect, I fully expect the stockholders to bear the cost of any revenue deficiencies." Transcript of September 1, 1998. Authority Conference, page 11, lines 13 through 16.